

Message Text

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ACTION EB-08

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SUBJECT: CLOSING OF MONTEFIBRE TEXTILE PLANT IN FRANCE

REF STRASBOURG 0188

1. SUMMARY. WE SEE MONTEFIBRE-FRANCE'S PROBLEMS AS MERE
EXTENTION OF THOSE MONTEFIBRE IS EXPERIENCING EVERYWHERE.
WITH 1976 LOSSES AT 115 MILLION DOLLARS AND THINGS NOT GOING
ANY BETTER THIS YEAR, COMPANY HAS NO OTHER CHOICE BUT TO
RESTRUCTURE AND MODERNIZE WHEREVER POSSIBLE. END SUMMARY.

2. TROUBLES OF MONTEDISON'S LARGE, AILING, MAN-MADE FIBER
SUBSIDIARY, MONTEFIBRE, ARE NUMEROUS AND ARE NOT LIMITED TO
FRANCE. ALTHOUGH BASIC PROBLEMS ARE SAME ONES FOUND EVERYWHERE
IN MAN-MADE FIBER INDUSTRY--STRONG COMPETITION, OVERCAPACITY,
AND OBSOLESCENCE OF PLANT AND EQUIPMENT--MONTEFIBRE HAS BEEN
HAVING EXCEPTIONALLY DIFFICULT TIME IN ADJUSTING TO
TODAY'S MARKET CONDITIONS. EVEN THOUGH MONTEFIBRE'S
PRODUCTION WAS VALUED AT 370 MILLION DOLLARS IN 1976
AND ACCOUNTED FOR ONE TENTH OF TOTAL EUROPEAN PRODUCTION,
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ITS LOSSES, 115 MILLION DOLLARS IN 1976, WERE EQUAL TO
ONE THIRD OF ITS SALES. (1975 LOSSES, AT 125 MILLION,
WERE EVEN WORSE.)

3. MAMMOTH LOSSES LIKE THESE ARE FORCING MONTEFIBRE TO
RATIONALIZE AND RESTRUCTURE WHEREVER POSSIBLE. BIGGEST
QUESTION IS HOW AND WHERE TO MODERNIZE. IDEALLY COMPANY

WOULD LIKE TO CLOSE OBSOLETE OR LESS PRODUCTIVE PLANTS, OPEN NEW AND MORE EFFICIENT ONES, AND REDUCE LABOR COSTS EVERYWHERE. MOST SERIOUS OBSTACLE TO ALL THIS IS LABOR RESISTANCE TO ANY PLAN THAT WOULD COST JOBS.

4. SO FAR MONTEFIBRE HAS BEEN LITTLE MORE SUCCESSFUL AT MODERNIZATION THAN IT HAS BEEN WITH ITS BALANCE SHEET. PLANS TO CLOSE PLANT AT VERCELLI, FOR EXAMPLE, MET STRONG OPPOSITION ON PART OF EVERYONE FROM WORKERS TO POLITICIANS OF NEIGHBORING COMMUNITIES. INSTEAD OF CLOSING PLANT, MONTEFIBRE IS NOW TALKING OF RETRAINING VERCELLI WORKERS. OVERALL, MONTEFIBRE SUCCEEDED IN LAYING OFF ONLY 750 WORKERS

IN 1976 (FROM TOTAL OF 14,200). OVER 200 OF THESE WERE WHITE COLLAR WORKERS AT HEAD OFFICE IN MILAN. THIS CUT BEING TOO SMALL TO CURB LABOR COSTS MUCH, MONTEFIBRE HAD TO SEEK GOVERNMENT WAGE SUBSIDIZATION FOR OVER SEVEN MILLION HOURS LAST YEAR.

5. SOON-TO-BE-COMPLETED ACERRA PLANT, MENTIONED REFTEL, IS ONLY BRIGHT POINT CONTAINED IN COMPANY'S 1976 REPORT. ACERRA SUPER-PLANT WILL STREAMLINE PRODUCTION OF POLYESTERS AND POLYMERS AND WILL REPLACE OUTPUT OF NEARBY CASORIA FACTORY WITH YIELD FROM ITS MODERN, VERTICALLY-INTEGRATED PRODUCTION PROCESS. CASORIA WORKERS ARE NOW BEING TRAINED TO RUN ACERRA PLANT.
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6. IT THUS APPEARS TO US THAT NEED FOR COMPANY-WIDE RESTRUCTURING IS MAJOR CONSIDERATION BEHIND ANNOUNCED CLOSING OF FRENCH PLANT AT NABORD. ITALIAN PAPERS REPORT THAT MONTEFIBRE WANTS TO CLOSE ANY PLANT RESPONSIBLE FOR HEAVY LOSSES, REGARDLESS OF LOCATION. AND MONTEFIBRE'S 1976 ANNUAL REPORT LEFT LITTLE DOUBT THAT ITS FRENCH OPERATIONS WERE HAVING PROBLEMS. DEPRESSED MARKETS FOR POLYESTER FIBERS, REPORT EXPLAINED, WERE DIMINISHING MONTEFIBRE-FRANCE'S PROFITABILITY IN SPITE OF HEAVY INVESTMENT THERE. MOREOVER, IT IS QUITE POSSIBLE THAT MONTEFIBRE THOUGHT LIQUIDATING NABORD FACTORY TO BE PATH OF LEAST RESISTANCE, REASONING THAT FRENCH PLANT COULD BE MORE EASILY SHUT DOWN THAN ITALIAN ONE. THERE WOULD STILL BE UNION AND POLITICAL PRESSURES, BUT FOREIGN RATHER THAN ITALIAN.

7. WE HAVE MADE ATTEMPTS TO DISCUSS MONTEFIBRE-FRANCE WITH COMPANY OFFICIALS HERE BUT NO ONE IN POSITION TO COMMENT ON FRENCH DEVELOPMENTS, WE ARE TOLD, HAS YET RETURNED FROM VACATION. THUS WE ARE NOT IN POSITION TO ADD ANY INSIDE SCOOP TO INFORMATION REPORTED ABOVE. BUT

COMPANY'S PUBLICLY-ACKNOWLEDGED PROBLEMS, WE FEEL, PROVIDE
FULL AND REASONABLE EXPLANATION FOR ITS BEHAVIOR IN
FRANCE.FINA

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Control Number: n/a
Copy: SINGLE
Sent Date: 09-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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